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COMMUNIQUE

by

the President of the Trade and Development Board

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1. The Trade and Development Board held the first part of its thirty-ninth session in Geneva from 28 September to 14 October 1992, under the presidency of Ambassador Gündüz Aktan (Turkey). The session was the first one to put into effect the new orientations and working methods which emerged from UNCTAD VIII, held in Cartagena de Indias, Colombia, in February 1992.

2. The session considered the following substantive matters:

* international implications of macro-economic policies and issues concerning ***interdependence***: the recent evolution of development problems and prospects;

* paths to development: performance, problems and reform of ***public enterprises***;

* ***sustainable development***, including UNCTAD's contribution to the implementation of UNCED's conclusions and recommendations;

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* trade policies, structural adjustment and economic reform: issues relating to ***national transparent mechanisms*** in the context of the fight against protectionism;

* review of progress in the implementation of the Programme of Action for the ***Least Developed Countries (LDCs)*** for the 1990s;

* UNCTAD's contribution to the implementation of the United Nations New Agenda for the Development of ***Africa*** in the 1990s.

3. The Board decided to establish an ad hoc working group to explore the issue of structural adjustment for the transition to disarmament.

4. The Board also adopted agreed conclusions on the priorities for UNCTAD's work.

5. In an innovative step in line with an UNCTAD VIII decision, three informal consultations were held with independent high-level experts on interdependence, public enterprises and trade transparency.

Interdependence

6. The debate addressed important global issues. It was underpinned by the Trade and Development Report, 1992, which was commended by many delegations, and it encompassed a useful informal exchange with special invitees.

7. The world economy is in a difficult phase, even though a number of developing countries have succeeded in accelerating their growth rates in the face of the global economic slowdown. It was broadly recognized that monetary and fiscal policies must now be designed to promote recovery in the short term and to remove structural disequilibria over the medium to long term. Coordination of macroeconomic policies by the larger economies was generally viewed as essential to a revival of the growth momentum. Such coordination should in turn take fully into account the interests of developing countries.

8. Further progress was needed on structural reform as part of domestic policies in developing countries and on adequate external financial support on appropriate terms. It was noted that, in a number of developing countries, liberalization policies had benefitted from large inflows of capital, in particular direct foreign investment, although unsustainable inflows of liquid funds could be highly problematic.

9. Regarding debt, it was generally acknowledged that while substantial progress had been made in resolving the debt problems of developing countries, additional efforts were needed on the part of both the debtors and the international financial community. A number of countries called for more favourable treatment to be accorded to poorer developing countries by the Paris Club, as well as for more attention to be paid to other developing countries.

10. It was recognized that the economic situation in countries in transition to a market economy continued to be extremely difficult, and that privatization had proved to be much more complex than anticipated. Several delegations underlined the importance of a more dynamic world economy, strengthened multilateral cooperation and external assistance to support domestic policy efforts in these countries. Other delegations expressed their concern that this should not undermine investment and financial flows to developing countries.

11. The Uruguay Round of Multilateral Trade Negotiations was viewed as a unique opportunity to strengthen the multilateral trading system and to halt protectionism. Many delegations stressed that it was essential to take into account the interests of the developing countries, including LDCs, as well as net food-importing countries, and to ensure that the emerging trading blocs did not result in trade diversion.

Reform of public enterprises

12. The debate, underpinned by the Trade and Development Report 1992, was constructive and was enriched by informal discussions with high-level experts.

13. It was recognized that many public sector enterprises were in difficulty, and that both privatization and reform needed to be considered, especially in the countries in transition to a market economy. Many countries were redefining the role of the state in order to make fuller use of the growing capacity for private entrepreneurship. Where the private sector was embryonic, public sector reform was especially urgent. However, many delegations considered privatization as the most appropriate response to a reform of public enterprises.

14. It was widely agreed that the appropriate balance between the public and private sectors would vary significantly from country to country, and that the issue should be approached non-ideologically. Some delegations stressed that socio-economic dimensions of the reform of public enterprises must also be taken into consideration. Also, manipulation by interest groups, overloading of objectives and inappropriate financing often impaired public enterprise performance. Governments should therefore set clear and consistent objectives, and reward and discipline management with a view to responding to market signals.

15. It was pointed out that financial results, especially short-term ones, were often a misleading indicator of performance, and that the macroeconomic environment should be taken fully into account. Reform should be directed primarily at improving enterprise efficiency, and proceeds from asset sales should be used for new capital investments. The financial targets set for enterprises should be defined in a longer-term context.

16. Numerous speakers stressed the dangers of privatizing "natural" monopolies and the need to avoid abuse of monopoly power under public ownership. Those policy-induced limitations which served simply to generate easy profits should be removed.

Sustainable development

17. A lively debate was held on both the orientation and the content of the future work of the secretariat in the area of sustainable development. The Deputy Secretary-General and Officer-in-Charge of UNCED addressed the Board in informal session on policies to promote national sustainable development.

18. It was recognized that UNCTAD's work on sustainable development at the level of the Board, in a Sessional Committee, should initially concentrate on the important area of the reconciliation of environmental and trade policies, including the necessity to ensure that environmental measures do not become instruments of protectionism.

19. Work related to sustainable development and its environmental dimensions should be given high priority and integrated yet more thoroughly into the tasks of UNCTAD's secretariat and its subsidiary bodies. There should be a particular emphasis on the work on sustainable development in the Standing Committees on Commodities and on Poverty Alleviation and in the Ad Hoc Working Group on the

Interrelationship between Investment and Technology Transfer. It was understood that all such work would need to take appropriate account of the establishment of the Commission on Sustainable Development and any subsequent possible allocation of tasks with a view to avoiding overlapping

20. Although there was a large degree of consensus on the orientations and content of the future work of the secretariat, views differed on the likely effects of the adoption and use of tradeable carbon emission permits at the international level and on the appropriateness of further work on this matter using UNCTAD's regular budgetary resources.

21. The secretariat should continue or undertake studies on:

* the interlinkages of trade and environment and methods for the internalization of environmental costs into the prices of all products;

* economic and regulatory tools to correct market deficiencies without hampering economic growth and development or jeopardizing competitive positions on international markets;

* market-based instruments for financing environmental protection;

* the implications for developing countries of basic principles designed to foster economic behaviour more in line with the imperatives of sustainable development;

* the linkages between poverty alleviation and sustainable development;

* ways and means of promoting sustainable development at the national level, ensuring positive linkages between technological, sectoral and macro-economic policies.

National transparent mechanisms

22. The Board carried out in-depth discussions on issues relating to national transparent mechanisms in the context of the fight against protectionism.

23. It recognized that transparent mechanisms could be an important instrument against trade protectionism. It was also indicated that in many cases such mechanisms did make significant contributions towards trade liberalization. Some countries felt that effective use of these mechanisms could help in generating a favorable international economic environment which could ease the reform process of developing countries by reducing non-tariff barriers in developed countries.

24. The Board identified the following basic features for transparent mechanisms:

* Transparent agencies should be independent from political pressures.

* The transparency process should be open to all affected parties and should give them an opportunity to provide inputs and to express their views.

* The agency's work programme should be limited to investigative fact-finding, economic analysis and policy advice; the agency should not be involved in trade policy-making.

* The studies undertaken should evaluate the economy-wide effects of protection. The Board pointed to the need for such studies to include an analysis of the entire gamut of domestic measures which impinged on trade, including anti-dumping and anti-subsidy actions, as well as, if possible, the impact of protection on trading partners, in particular the developing countries.

* The studies should be done by competent professionals using modern methods of economic analysis.

* In addition to policy advice work before the government's decisions, review studies should also be conducted after the decisions have been taken.

25. The Board also felt that the manner in which these features would be implemented might depend on the institutional framework in each country. It was of the view that UNCTAD should follow developments with regard to the issues of transparency in the conduct of trade policies.

26. The Board also paid close attention to technical cooperation which in its view should receive the highest priority and include information on the establishment of agencies, assistance in institution-building, and training regarding appropriate economic methodology and data-gathering. In this connection, the Board invited the donor countries and donor agencies to support these efforts.

Least developed countries (LDCs)

27. The Board's Special Sessional Committee conducted the second annual review of progress in implementing the Programme of Action for the Least Developed Countries for the 1990s. All countries reaffirmed their commitment to all aspects of the Programme and to the Cartagena Commitment. The LDCs reaffirmed that they would continue to enhance the implementation of national policy measures in line with the Programme. Their development partners reaffirmed that a significant and substantial increase in the aggregate level and improvement in the quality of external support should be made available to LDCs.

28. In a separate decision, the Special Sessional Committee decided that the following two special issues would be the subject of in-depth review by the Board at its spring 1993 session:

* Domestic and external resource mobilization, including debt situation and management;

* Improving trading opportunities.

29. In accordance with the Cartagena Commitment, the donor countries reaffirmed their determination to implement the commitments they had undertaken in the Programme of Action with regard to ODA to the 41 countries, and to continue their efforts to meet the resource requirements of all LDCs.

30. The Committee also decided to consider at the Board's spring session the question of the effects the newly added countries to the list of LDCs would have on the additional resource requirements of the LDC group as a whole.

31. Finally, the Committee urged donors to consider providing extra-budgetary resources to facilitate participation of LDC delegations in the future reviews of the Programme of Action undertaken by the Trade and Development Board.

Agenda for Africa

32. The Board also discussed UNCTAD's possible contribution within its mandate to the United Nations New Agenda for the Development of Africa in the 1990s. The Board decided to request the Secretary-General to undertake Africa-specific studies, analyses and reports on a selected list of issue areas for consideration at its subsequent sessions.

33. It further decided that progress reports on UNCTAD's contribution to the New Agenda's implementation should be presented to the Board's spring session. The secretariat was asked to give priority to technical cooperation activities in Africa. Extra-budgetary resources were to be sought from potential donors to support UNCTAD's intensified contribution to the New Agenda's implementation.

34. The Board also decided to evaluate UNCTAD's contribution to the New Agenda's implementation every two years, taking into account the follow-up and monitoring mechanisms established by the General Assembly.

Transition to disarmament

35. The Board decided to establish an ad hoc working group to explore the issue of structural adjustment for the transition to disarmament, and requested the Secretary-General to prepare a report on the activities of other United Nations organizations in this area and to indicate where UNCTAD could best play a role, as well as to prepare an estimate of the resource implications, draft terms of reference for the working group and a time-table of work.

Orientations and priorities

36. The Board recalled that the Conference, at its eighth session, had decided that the following four areas should serve as orientations for developing both fresh approaches to long-standing issues and insights for pursuing relevant new lines of work: a new international partnership for development; global interdependence; paths to development; and sustainable development.

37. It decided that the particular needs of Africa should be fully taken into account in the formulation of work programmes of the intergovernmental bodies of UNCTAD. It also decided that the following sub-programmes should be designated high-priority: international competition and trade policies, commodities, development finance and debt, investment and technology, poverty alleviation, global interdependence, enlarged economic spaces, privatization, environment and sustainable development, structural adjustment, trade efficiency, services development and least developed countries.

Methods of work

38. In view of the fruitful interaction that took place during the current session with experts and high-level officials, the Board encouraged the UNCTAD secretariat to continue making arrangements to associate experts with the deliberations of the Board. Delegations made a number of suggestions on how to improve this process.